

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2009-102-W

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COMMISSION

IN RE:)
)
Leslie and Mark Hendrix,)
)
Complainants/Petitioners)
)
v.)
)
Utilities Services of South Carolina, Inc.,)
)
Defendant/Respondent.)
_____)

SURREBUTTAL TESTIMONY
OF
BRUCE T. HAAS

1 **Q. ARE YOU THE SAME BRUCE T. HAAS WHO HAS PRE-FILED DIRECT**
2 **TESTIMONY IN THIS MATTER?**

3 **A. Yes, I am.**

4 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN THIS**
5 **PROCEEDING, MR. HAAS?**

6 **A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of**
7 **Ms. Leslie Hendrix that has been pre-filed in this proceeding.**

8 **Q. MS. HENDRIX STATES THAT SHE IS CURRENTLY RECEIVING BILLS FOR**
9 **WATER CONSUMED THREE MONTHS PRIOR; DO YOU AGREE WITH HER**
10 **TESTIMONY IN THIS REGARD?**

1 A. No, I do not. Ms. Hendrix appears to be comparing the period in which water was
2 consumed – in this case, March 18 through April 21, 2009 – to the due date of the bill to
3 support her contention that bills issued by the Company are delayed by as much as three
4 months. However, as is evident from the bill attached to my testimony as Surrebuttal Exhibit
5 “A”, the Company issued Ms. Hendrix its bill for services to her residence rendered during
6 this period on June 23, 2009. Therefore, the invoice for this consumption period was issued
7 two months after the consumption period and not the three months asserted by Ms. Hendrix.
8 Nevertheless, the Company recognizes that the consumption periods reflected in our billings
9 do still lag behind the billing date and we are continuing to work to correct that problem. I
10 would note, however, that there is certainly no benefit to the Company when bills issued do
11 not reflect recent customer consumption periods. To the contrary, this problem is a
12 detriment to the Company and we sincerely regret that it has occurred. We understand her
13 concern with this time lag, however, and are attempting to address the problem as quickly as
14 possible.

15 **Q. DO YOU AGREE WITH MS. HENDRIX THAT THE RESIDENTS ARE PAYING A**
16 **GROSSLY INFLATED RATE FOR BULK WATER THROUGH THE SUPPLY**
17 **CHARGE?**

18 A. No, I do not. As I stated in my direct testimony, USSC passes the cost of bulk water
19 through to customers on a pro rata basis without markup in accordance with its Commission
20 approved tariff. The Company does this by spreading the charge imposed by the bulk
21 supplier, which in the case of Dutchman Shores is the City of Columbia, among all
22 customers in the subdivision based upon their individual metered consumption. Because the

1 City bills USSC for the bulk water the City provides in arrears, the customer consumption
2 period will be after the bulk supply period – in some cases, up to two months later. This
3 delay leads to fluctuations in the pass-through amount shown as the water supply charge on
4 customers' bills. This is best exemplified by Exhibit "C" to my direct testimony which
5 demonstrates the effect a delayed bulk bill has on the customers' water supply charge.
6 Additionally, this effect is further demonstrated by the water supply charges reflected on Ms.
7 Hendrix's recent invoices.

8 **Q. COULD YOU ELABORATE ON THAT LAST STATEMENT?**

9 A. Certainly. Attached to my testimony as Surrebuttal Exhibit "B" is a copy of a bill
10 rendered for service provided to Ms. Hendrix's residence dated December 11, 2008. This
11 bill reflects water consumption recorded at Ms. Hendrix's residence during the consumption
12 period September 22 through October 21, 2008. However, the supply charge reflected on
13 that bill was calculated to recover from the Dutchman Shores customers the bulk supply
14 charges for water consumed during the bulk supply period of August 11, 2008 to September
15 10, 2008. Because the bulk supply period occurred during one of the hottest parts of the
16 year, the total amount of water consumed on the system was significantly higher during these
17 months, largely resulting from customer irrigation. However, the delay in billing from the
18 City of Columbia required USSC to recover the costs of this bill based on individual
19 customer consumption metered during the period from September 22 through October 21,
20 2008 at which time consumption was lower. Because the bulk bill was spread over a smaller
21 amount of individual metered consumption recorded during the customer consumption
22 period, the applicable water supply charge was higher.

1 **Q. WOULD CUSTOMERS EVER SEE A WATER SUPPLY CHARGE THAT IS**
2 **LOWER THAN THAT CHARGED BY THE CITY OF COLUMBIA ON A PER**
3 **THOUSAND GALLON BASIS?**

4 **A.** Yes. This is exactly what has happened with respect to recent bills rendered by
5 USSC to the Dutchman Shores customers. As is evident from Ms. Hendrix's June 23, 2009
6 bill reflecting the consumption period from March 3, 2009 to April 21, 2009, included in
7 Surrebuttal Exhibit "A", the pass-through charge imposed upon the customers is
8 approximately \$2.84/thousand gallons. This is approximately \$0.49/thousand gallons less
9 than the per thousand gallon charge imposed by the City of Columbia. This lower charge
10 results from a March 2009 City of Columbia bulk supply bill reflecting system wide
11 consumption during a different period, and reflects the fact that consumption during the
12 winter is reduced due to decreased irrigation and other large water usages normally seen
13 during the summer. This bulk supply bill was then spread among customers based upon their
14 March through April 2009 individual metered consumption. Because the customer
15 consumption during the billing period was higher than the total system consumption reflected
16 on the bulk supply bill, the water supply charge imposed by USSC on Ms. Hendrix's bill
17 included in Surrebuttal Exhibit "A" was less than the City of Columbia's bulk charge on a
18 per thousand gallon basis. These circumstances exactly reflect the scenario I described in
19 Exhibit "C" to my direct testimony in that the water supply charge will fluctuate and may be
20 more than or less than the City of Columbia's bulk supply charge on a per thousand gallons
21 basis. USSC's proposed new billing approach for customers in Dutchman Shores which is
22 more fully described in my direct testimony should have the effect of eliminating the drastic

1 swings between the amount of pass-through charges to customers in the manner I have
2 depicted in the second section of Exhibit "C" to my direct testimony.

3 **Q. DO YOU AGREE WITH MS. HENDRIX THAT THE RESIDENTS PAY A**
4 **GROSSLY INFLATED RATE FOR BULK WATER THROUGH THE WATER**
5 **SUPPLY CHARGE DUE TO EXTREME WATER LOSS?**

6 A. No, I do not. I would first point out that Ms. Hendrix has not provided any evidence
7 of extreme water loss on USSC's Dutchman Shores system. In fact, as I stated in my direct
8 testimony, USSC conducted its own investigation and found no evidence of significant
9 system leaks. Also, I am aware that that ORS has investigated and studied unaccounted for
10 water issues on USSC's entire system, including Dutchman Shores. Second, the Dutchman
11 Shores subdivision experiences water loss at a level less than the 10% unaccounted for water
12 standard which has been adopted by the Commission, recognized by the American
13 Waterworks Association and proposed by ORS for inclusion in the Company's rate schedule
14 in the last rate case. However, the alternative for billing the pass-through of bulk water
15 charges that I proposed in my direct testimony would allow for an annual accounting "true-
16 up" which will adjust for unaccounted for water in excess of the 10% standard and can
17 certainly be audited.

18 **Q. MS. HENDRIX CONTENDS THAT USSC SHOULD SHARE IN THE**
19 **RESPONSIBILITY FOR HER HIGH CONSUMPTION THAT SHE CONTENDS**
20 **RESULTED FROM HIGH WATER PRESSURE AT HER RESIDENCE; WHAT IS**
21 **YOUR RESPONSE TO THAT CONTENTION?**

22 A. My response is that the Company bears no responsibility in this regard.

1 **Q. WOULD YOU PLEASE ELABORATE ON THAT ANSWER?**

2 A. Yes. First, USSC has not violated any regulation regarding water pressure. As I have
3 previously testified, high pressures in the City of Columbia distribution system are events
4 beyond the control of the Company. Second, with respect to Ms. Hendrix's testimony that
5 USSC should be responsible for costs incurred by Ms. Hendrix relating to high water
6 pressure, I would note that Company records do not reflect any complaint filed by Ms.
7 Hendrix regarding high pressure on her plumbing system at this time. Additionally, the
8 Commission does not have the authority to award damages to a customer. In any event, the
9 incidence of high pressure which Ms. Hendrix asserts caused a break on her service line
10 occurred approximately four years ago. Moreover, Ms. Hendrix acknowledged in her direct
11 testimony that "USSC seems to have remedied the water pressure issue."

12 **Q. MS. HENDRIX RECOMMENDS THAT THE COMMISSION IMPLEMENT A**
13 **POLICY THAT KEEPS BULK WATER COSTS LOWER THAN RETAIL OR END**
14 **USER COSTS FOR DISTRIBUTION ONLY CUSTOMERS; DO YOU HAVE ANY**
15 **RESPONSE TO THIS RECOMMENDATION?**

16 A. It is not clear to me what Ms. Hendrix is recommending in this regard; however, it
17 would appear that Ms. Hendrix is suggesting that USSC not be allowed to pass through to its
18 distribution only customers the full amount of the bulk bill. In other words, it appears that
19 Ms. Hendrix is suggesting that the supply charge be capped at some amount.

20 **Q. DO YOU AGREE WITH HER PROPOSAL?**

21 A. No, I do not. As I have stated in my direct testimony, the Company's costs for bulk
22 water are directly related to the water consumed by customers, accounted for water used on

1 the system (i.e., flushing, and documented leaks) and a reasonable amount of unaccounted
2 for water. As I stated in my direct testimony, if USSC is not allowed to recover the full
3 amount of these charges directly from the affected customers, those unrecovered costs would
4 necessarily be included as an expense in the Company's base rates. This change to the
5 Company's rate schedule would result in increases in monthly bills for some customers and
6 decreases in monthly bills for other customers. Furthermore, such a revision in the
7 Company's currently approved rate schedule would affect all USSC rate payers and could,
8 therefore, only be addressed in a general rate making proceeding.

9 **Q. MS. HENDRIX SUGGESTS THAT USSC SHOULD BE ORDERED TO**
10 **REIMBURSE DUTCHMAN SHORES RESIDENTS FOR WATER LOST DUE TO**
11 **LEAKS; DO YOU AGREE WITH HER REQUEST?**

12 A. No, I do not. Ms. Hendrix suggests that, because the Company reimbursed the
13 customer located at 103 Harding Street for a leak, USSC should be responsible for
14 reimbursing all customers for leaks. However, the leak at 103 Harding Street arose from an
15 issue with the Company's meter and was, therefore, not the responsibility of the customer. It
16 is my understanding that Commission regulations provide that customers are responsible for
17 maintaining their plumbing facilities and are responsible for any water loss attributable to
18 breaks on their individual service lines. In those systems where USSC distributes water from
19 a bulk supplier, such as Dutchman Shores, USSC is obligated to pay for the total amount of
20 water consumed on the system, including leaks originating from customer service lines.
21 Therefore, if USSC were required to reimburse individual customers for water loss on their
22 customer service lines for which they bear responsibility, these costs would, again have to be

1 spread among USSC's entire customer base. I simply believe that Ms. Hendrix's suggestion
2 in this regard is not reasonable.

3 **Q. IN RESPONSE TO YOUR DIRECT TESTIMONY REGARDING WATER**
4 **PRESSURE VALVES REQUIRED PURSUANT TO THE LEXINGTON COUNTY**
5 **BUILDING ORDINANCES, MS. HENDRIX STATES THAT THIS REQUIREMENT**
6 **WAS NOT IN PLACE WHEN HER HOME WAS BUILT. DO YOU HAVE ANY**
7 **RESPONSE TO HER TESTIMONY IN THIS REGARD?**

8 A. Regardless of whether the particular ordinance was in effect at the time her home was
9 constructed, Ms. Hendrix admittedly installed a pressure reducing valve as referenced in the
10 Lexington County Building Ordinance over four years ago. As the Building Code states,
11 those requirements apply to any construction, alteration, or repair of plumbing systems,
12 whether they were installed at the time of the original construction or not. Therefore, any
13 pressure reducing valve installed on Ms. Hendrix would have to conform to the International
14 Plumbing Code and be properly maintained. To the extent that Ms. Hendrix is currently
15 experiencing high water pressure on her system due to a faulty or improperly maintained
16 pressure reducing valve, any damages experienced as a result would not be the responsibility
17 of USSC.

18 **Q. DO YOU AGREE WITH MS. HENDRIX'S STATEMENT THAT ALL WATER**
19 **LOSS IS EXTREME?**

20 A. I agree with Ms. Hendrix to the extent that water loss should be kept to a reasonable
21 amount. However, it is unreasonable and impracticable to believe that any water system will
22 not experience some form of water loss due to the very nature of providing water supply

1 services. Undetected leaks will inevitably occur on a system due to age of the water pipe,
2 soil conditions, traffic or pressure loadings, and pipe movement. While routine maintenance,
3 audits and facility replacement can reduce the amount of water lost, water utilities cannot
4 avoid it entirely.

5 Additionally, as the Commission is aware, USSC was formed in 2002 to acquire the
6 assets of two public utilities, Utilities of South Carolina, Inc. and South Carolina Water and
7 Sewer, LLC, which were both experiencing financial, operational and regulatory distress. At
8 the behest of the DHEC, USSC acquired certain of the operating assets, the service territory
9 and certificates of these public utilities in October of 2002. Approximately half of the water
10 systems had been found by DHEC to be operating in an unsatisfactory manner immediately
11 prior to the transfer to USSC. Therefore, a large number of these systems have required
12 substantial investment and extensive rehabilitation. USSC is consistently making
13 improvements and repairs to upgrade these systems; however, the aging nature of the
14 facilities, such as those serving Dutchman Shores, unavoidably result in periodic leaks that
15 result in water loss on the system. USSC is committed to keeping the amount of water loss
16 within a reasonable range, but it is unreasonable to believe that any water company will not
17 experience some level of water loss.

18 **Q. DOES USSC HAVE AN INCENTIVE TO CONTROL WATER LOSS?**

19 A. Of course it does. In addition to water loss audits which may be conducted by ORS
20 from time to time, the Company's performance with respect to unaccounted for water is
21 always subject to audit by ORS and review by the Commission in rate proceedings. In fact,
22 in Docket Number 2007-286-WS, ORS recommended inclusion of the 10% unaccounted for

1 water standard in the Company's rate schedule. As I stated previously, this standard is
2 recognized by the American Waterworks Association and has been recognized by this
3 Commission as being appropriate in other proceedings.

4 **Q. CAN YOU RESPOND TO MS. HENDRIX'S SUGGESTION THAT USSC SHOULD**
5 **ONLY CHARGE RESIDENTS FOR THE AMOUNT OF WATER THAT PASSES**
6 **THROUGH CUSTOMER METERS?**

7 A. As I have stated, the very nature of providing water services results in some amount
8 of water loss. Ms. Hendrix's recommendation would mean that USSC would be unable to
9 recover its costs for either a reasonable amount of unaccounted for water or accounted for
10 water consumed by the Company through flushing in the performance of regular system
11 maintenance. Water utilities that supply their own water are not penalized for system usage,
12 non-account water, or acceptable levels of unaccounted for water in the ratemaking context
13 and there is no reason why a water utility distributing bulk water should be so penalized.
14 This is especially so considering USSC has shown that the amount of unaccounted for water
15 on the Dutchman Shores system is within the reasonable range previously allowed by the
16 Commission and Ms. Hendrix has not demonstrated otherwise.

17 **Q. MS. HENDRIX SUGGESTS HER PREFERENCE THAT DUTCHMAN SHORES BE**
18 **SERVED BY THE CITY OF COLUMBIA INSTEAD OF USSC; DO YOU HAVE**
19 **ANY COMMENT?**

20 A. USSC certainly is willing to discuss selling its distribution system in Dutchman
21 Shores to the City of Columbia and, should Ms. Hendrix desire to pursue this option with the
22 City, the Company would cooperate with any discussions in this regard.

1 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

2 **A. Yes, it does.**

Haas Surrebuttal Testimony: 2009-102-W



Utilities Services of South Carolina Inc

Collections: (800) 367-4314

Phone: (800) 367-4314

Customer Service: (800) 367-4314

www.uhwater.com

Bill Date	Account Number	Due Date	Please Pay
06/23/2009		7/16/2009	\$54.55

Name MARK HENDRIX

Primary Telephone # (803) 932-0377

Service Address 125 DUTCH POINT DR, CHAPIN, SC, 29036

Activity Since Last Bill

Previous Balance	\$47.64
Payments received as of 06/23/2009	\$-47.64
Balance as of 06/23/2009	\$0.00

Water Distribution and Purchased Water Charge

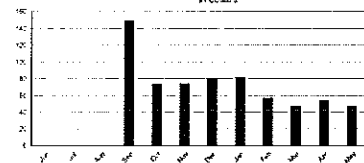
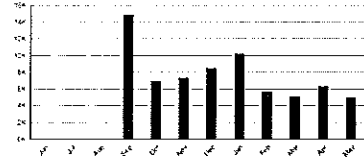
Water Distribution Base Charge	\$16.53
Distribution Charge of 6,300 gallons at \$2.91 per 1,000 gallons	\$18.33
Water Supply Charge of 6,300 gallons at \$0.0028423 per gallon	\$17.91
SC DHEC Fee	\$1.78
Total Water Distribution and Purchased Water Charge	\$54.55

Total Amount Due

\$54.55

Summary of Service

Meter Reading	Meter #	63463
Current	223990	04/21/2009
Previous	217690	03/18/2009
Usage	6,300 Gallons	
Number of Days:	34	
Average Daily Use:	185 Gallons	
Average Daily Cost:	\$1.60	

Billing History
in dollarsConsumption History
in gallons

A fee of 1.5% per month will be added if unpaid by the due date.

Make check payable to: Utilities Services of South Carolina Inc

Messages



PO Box 4509

West Columbia SC 29171-4509



Account Number:

Due Date: 7/16/2009

Amount Paid

Please Pay \$54.55

MARK HENDRIX
125 DUTCH POINT DR
CHAPIN SC 29036

Utilities Services of South Carolina Inc
PO Box 4509
West Columbia SC 29171-4509
[Barcode]

Haas Surrebuttal Testimony: 2009-102-W

Utilities Services of South Carolina Inc

Collections: (800) 367-4314

Phone: (800) 367-4314

Customer Service: (800) 367-4314

www.uivwater.com



Bill Date	Account Number	Due Date	Please Pay
06/23/2009		7/16/2009	\$54.55

Name **MARK HENDRIX**

Primary Telephone # (803) 932-0377

Service Address 125 DUTCH POINT DR, CHAPIN, SC, 29036

Activity Since Last Bill

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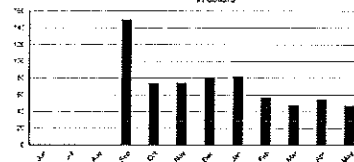
\$54.55

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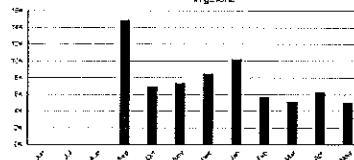
Billing History

in dollars



Consumption History

in gallons



A fee of 1.5% per month will be added if unpaid by the due date.

Make check payable to: Utilities Services of South Carolina Inc

Messages



PO Box 4509

West Columbia SC 29171-4509



Account Number:

Due Date: 7/16/2009

Amount Paid

Please Pay **\$54.55**



MARK HENDRIX
125 DUTCH POINT DR
CHAPIN SC 29036

Utilities Services of South Carolina Inc

PO Box 4509

West Columbia SC 29171-4509

